

Message Text

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PAGE 01 STATE 019288

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ORIGIN EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 IO-10 NEA-09 NSAE-00 RSC-01

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

OES-03 DOTE-00 FMC-01 DLOS-03 COA-01 CG-00 /082 R

DRAFTED BY EB/TT/MA:JPSTEINMETZ:BST

APPROVED BY EB/TT/MA:JPSTEINMETZ

MARAD:RBOURDON

EUR/RPE:JTARRANT

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R 280024Z JAN 75

FM SECSTATE WASHDC

TO AMEMBASSY LONDON

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMEMBASSY BRUSSELS

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E.O. 11652:N/A

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PAGE 02 STATE 019288

TAGS: EWWT, EIND, OECD, EEC

SUBJECT: OECD WP NO. 6 ON SHIPBUILDING

REF:A)LONDON 1149 B) BRUSSELS A-250, DECEMBER 3, 1974

1. USG IS NOT PRESENTLY CONSIDERING ACCESSION TO EITHER THE REVISED OECD UNDERSTANDING ON EXPORT CREDITS FOR SHIPS OR GENERAL ARRANGEMENT FOR THE PROGRESSIVE REMOVAL OF OBSTACLES TO NORMAL COMPETITIVE CONDITIONS IN THE SHIP-BUILDING INDUSTRY. BOTH THE AGREEMENT AND THE UNDERSTANDING ARE COUNCIL WP-6 MEMBER EFFORTS TO REDUCE THOSE FACTORS WHICH "DISTORT NORMAL COMPETITIVE CONDITIONS IN THEIR SHIPBUILDING INDUSTRIES", PARTICULARLY VARIOUS GOVERNMENT SCHEMES TO INCREASE EXPORT SALES.

2. OECD MEMBERS ARE CORRECT THAT THE U.S. SHIPBUILDING INDUSTRY HAS NO SIGNIFICANT EXPORT SALES AT THIS TIME. CURRENT U.S. EFFORTS ARE TO REVITALIZE THE U.S. SHIPBUILDING INDUSTRY AND MODERNIZE THE U.S. FLAG MERCHANT FLEET. THE BASIS FOR SUCH IS, INTER ALIA, THE MERCHANT MARINE ACT, 1970 WHICH PROVIDES FOR A PHASED REDUCTION OF CONSTRUCTION DIFFERENTIAL SUBSIDIES. CURRENT SUBSIDY RATES AS A PERCENTAGE OF TOTAL COST AVERAGE IN THE MID-THIRTIES. THE ONLY AREA OTHER THAN CERTAIN SPECIALIZED FISHING VESSELS, WHERE U.S. SHIPYARDS MIGHT BE ABLE TO COMPETE IS IN THE CONSTRUCTION OF LNG CARRIERS, APPARENTLY THE CONCERN OF FRANCE AND JAPAN. HOWEVER, THOSE LNG VESSELS CURRENTLY UNDER CONSTRUCTION IN AMERICAN SHIPYARDS ARE FOR U.S. RELATED ENERGY PROJECTS AND WILL BE AMERICAN REGISTERED AND CREWED. THE LOWER SUBSIDY RATE OR ABSENCE THEREOF ON THESE LNG VESSELS IS ATTRIBUTED TO ADVANCED U.S. CRYOGENIC TECHNOLOGY AND ATTRACTIVE TITLE XI MORTGAGE INSURANCE. CONSTRUCTION SUBSIDY MONIES AND MORTGAGE INSURANCE WOULD NOT BE AVAILABLE FOR VESSELS CONSTRUCTED FOR EXPORT.

3. DEPARTMENT BELIEVES OECD WP-6 MEMBER CONCERN PARA 1 UNFOUNDED CONSIDERING CIRCUMSTANCES OUTLINED ABOVE. SHOULD THE PRESENT SITUATION CHANGE AND THE U.S. FINDS ITSELF IN LIMITED OFFICIAL USE

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PAGE 03 STATE 019288

THE POSITION TO COMPETE IN THE EXPORT MARKET FOR MERCHANT VESSELS IT CAN BE EXPECTED THAT THE QUESTION OF USG ACCESSION TO THE OECD UNDERSTANDING AND ARRANGEMENT WOULD BE REVIEWED. KISSINGER

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SHIPBUILDING INDUSTRY, COMMITTEE MEETINGS, EXPORT CREDIT GUARANTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 28 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE019288
Document Source: CORE
Document Unique ID: 00
Drafter: JPSTEINMETZ:BST
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750030-1102
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750114/aaaaalxl.tel
Line Count: 111
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 ONDON 1149, 75 BRUSSELS A-250, 75 DECEMBER 3, 75 1974
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by MartinML>; APPROVED <16 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD WP NO. 6 ON SHIPBUILDING
TAGS: EWWT, EIND, US, OECD, EEC
To: LONDON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006